

Log/Tucker

SECTION-BY-SECTION ANALYSIS
OF THE PROPOSED
INTERNATIONAL SECURITY AND DEVELOPMENT
COOPERATION ACT OF 1984

I. INTRODUCTION

The proposed International Security and Development Cooperation Act of 1984 ("the Bill") amends the Foreign Assistance Act of 1961 ("FAA"), the Agricultural Trade Development and Assistance Act of 1954 and the Arms Export Control Act ("AECA") in order to authorize appropriations to carry out international security and development assistance programs for the fiscal year 1985, to authorize an economic policy initiative for Africa, and to make certain changes in the substantive authorities governing those programs. The Bill also contains authorizations for the fiscal year 1986 in accordance with the requirements of the Congressional Budget Act of 1974.

The Bill is composed of eight titles. Title I consists of authorizations for military sales and related programs under the AECA and the FAA. Title II provides authorization for the economic support fund. Title III contains authorizations for the FAA development assistance provisions. Title IV provides for a new economic policy initiative for Africa. Title V contains miscellaneous amendments to the FAA and AECA, including authorizations for the international narcotics

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program and operating expenses for the Agency for International Development. Title VI contains amendments to the Internal Revenue Code of 1954 and the P.L. 480 program. Title VII contains supplemental authorizations and additional authorities for fiscal year 1984 for international organizations and programs, for stockpiling of defense articles in foreign countries and for the Foreign Military Sales financing program. Title VIII provides for authorizations for fiscal year 1986 in accordance with the requirements of the Congressional Budget Act of 1974 and for the effective dates for the various provisions of the Bill.

II. PROVISIONS OF THE BILL

SECTION 1. SHORT TITLE

This section provides that the Bill may be cited as the "International Security and Development Cooperation Act of 1984".

TITLE I - MILITARY SALES AND RELATED PROGRAMS

SECTION 101. FOREIGN MILITARY SALES CREDITS AUTHORIZATION AND AGGREGATE CEILINGS

This section amends section 31(a) of the AECA to authorize \$5,070,000,000 in appropriations for fiscal year 1985 to carry out the foreign military sales (FMS) direct credit program. Section 31(b)(1) of the AECA is amended to establish at \$5,070,000,000 for fiscal year 1985 the limit on the aggregate amount of FMS credits which may be extended under section 23 of

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the AECA. Section 31(b)(3) of the AECA is amended to provide that during fiscal year 1985 no less than \$1,400,000,000 in FMS credits shall be available for Israel. Section 31(b)(5) is amended to add Korea, the Philippines, and Portugal to the list of countries which would be authorized to repay, in not more than twenty years, following a grace period of ten years on repayment of principal, either loans under section 23, when these loans are provided at or above the current average interest rate for U.S. government obligations of similar maturity, or loans guaranteed under section 24(a) of the AECA. Section 36(b)(6) is amended to provide that Egypt would be released from its contractual liability to repay loans extended under section 23 in an amount up to \$1,175,000,000 for the fiscal year 1985. Sections 31(b)(7) and 31(c) are repealed.

SECTION 102. CHARGES FOR TRAINING AND SERVICES SOLD UNDER THE AECA

This provision amends section 21(a)(3) concerning charges for training and services sold under the Foreign Military Sales program. This proposal would authorize the President to charge all purchasers of defense training the "additional cost" that would be incurred to provide this training. It thus will eliminate the current multi-tier price structure on sales of training. Thereafter there would be only two comparable pricing systems, one for grant IMET assistance and one for FMS sales. For example, under the current system the cost of FMS

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training for foreign students in the same course at the Army Command and General Staff College could range from \$4,598 (the additional cost price) to \$31,499 (the full cost price).

Enactment of the provision would reduce discrimination among countries and U.S. administrative costs.

In addition, this provision would authorize the President to charge all purchasers of defense services other than training the "additional cost", excluding military salaries, of providing this service, if the country purchasing the service has received MAP assistance or FMS forgiven credits during each of the preceding three fiscal years. This provision would reduce the cost of FMS services to those foreign countries whose economic needs have been recognized by the provision of grant military aid. Since military salaries are already funded fully under other accounts, it makes little sense to require foreign reimbursement for such salaries from developing countries that purchase FMS services to defend themselves and help the U.S. to meet our foreign policy and national security objectives.

SECTION 103. ADMINISTRATIVE SURCHARGE

Paragraph 1(A) of section 21(e) of the AECA is amended to further explain that the "costs" which must be recovered by the United States Government in carrying out the FMS program. This amendment would exclude a pro rata share of fixed base operation costs from the full estimated costs. Enactment of

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this amendment is not expected to result in a reduction of the current administrative surcharge percentage, but will avoid the necessity of an immediate increase in the percentage levied on all foreign military sales.

SECTION 104. CATALOG DATA AND SERVICES

The AECA permits in-kind reciprocal exchange of some services with NATO countries, but still requires that the U.S. charge for catalog data. In fiscal year 1982 such charges amounted to \$850,000. Other countries are beginning to charge DOD in return, with DOD paying over \$100,000 in fiscal year 1982. In future years, as efforts intensify to increase NATO standardization, there will be increasing requests for cataloging and codification services, which DOD performs pursuant to chapter 145 of title 10 United States Code. This amendment would avoid a series of sales cases for relatively minor transactions with those NATO countries that provide similar services free of charge to the United States.

SECTION 105. SALES CREDITS

In view of the widespread concern in the Administration and the Congress about the mounting debt problems of countries which receive United States security assistance, it is in the national interest to provide concessional financing for defense procurement rather than continue to provide loans at the higher rate of interest for United States government borrowing. Although the President could implement a concessional loan

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authority under the current section 23 if funding were provided, this provision would revise section 23 of the Arms Export Control Act to allow the President the flexibility to manage the concessional loan program without the need for a Presidential certification whenever a lesser rate of interest is necessary. This flexibility would allow the President to tailor the concessional loan program more closely to current requirements and market conditions. In addition, this provision would provide that the twelve year maximum repayment period of FMS direct credits would begin when the loan agreement is signed on behalf of the United States, rather than when defense articles are delivered or defense services are rendered, as in existing law. This change conforms the procedures of section 23 with current practice on guaranteed loans provided under section 24(a).

SECTION 106. REPORTING REQUIREMENT

This section would revise the reporting requirement of section 25(a)(4) to apply only to sales and deliveries to recipient countries in the developing world. The section as amended would exclude from the required report estimates of sales and deliveries among NATO countries, Japan, Australia and New Zealand and among Warsaw Pact countries. This change would conform the statutory language to the intentions of the Congress. The amendment would also establish an April 1 deadline for this information rather than the current February

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1 deadline for this report. This change would allow inclusion of full calendar year data on sales and deliveries in the information presented to Congress.

SECTION 107. GUARANTY RESERVE FUND

This section would authorize the appropriation of \$274,000,000 for the fiscal year 1985 in order to maintain adequate reserves in the Guaranty Reserve Fund against defaults and rescheduling of outstanding loans guaranteed pursuant to the provisions of section 24(a) of the Arms Export Control Act. This amount was derived through a formula which reflects actual default and rescheduling experience, total receipts due and payable to the Fund in the upcoming fiscal year, and the need to increase gradually over time the size of the Fund. This formula establishes a long-term mechanism for maintaining the fiscal integrity of the fund. This section would also make necessary technical changes to sections 24 and 31 to reflect this authorization.

SECTION 108. INCREASE IN CRIMINAL PENALTIES FOR CERTAIN VIOLATIONS OF AECA.

Recent changes in the Export Administration Act imposed potentially greater penalties for persons violating commercial export laws and regulations than for those violating section 38 of the AECA. This provision would increase the maximum criminal penalty for certain violations of the AECA or implementing regulations from \$100,000 or two years

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imprisonment or both, to \$1 million or 10 years imprisonment or both. The ceiling for civil penalties for violations would be raised from \$100,000 to \$500,000. This amendment would apply to violations which occur after the effective date of this section.

SECTION 109. OFFICIAL RECEPTION AND REPRESENTATION EXPENSES

Section 43(b) of the AECA is amended to provide that the United States is to recover "official reception and representation expenses" as well as administrative expenses for services calculated under section 21(e)(1)(A) of the AECA. The amendment will permit the use of not more than \$72,500 of administrative funds derived from charges pursuant to section 21(e)(1)(A) to augment military assistance (MAP) funds available for security assistance representational activities.

SECTION 110. MILITARY ASSISTANCE PROGRAM

This section amends section 504 to authorize \$702,500,000 for fiscal year 1985 in appropriations to carry out the military assistance program.

SECTION 111. WAIVER OF NET PROCEEDS OF SALES OF MAP ITEMS

This section amends section 505(f) of the FAA to allow the President to waive the requirement that a country pay to the U.S. the net proceeds from the sale of defense articles delivered to the country on a grant basis under the military assistance program more than five years prior to the President's determination. Most of this equipment was

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programmed prior to 1975 under section 503(a)(1) of the Foreign Assistance Act of 1961. Countries which possess aging, obsolete MAP defense articles currently have an incentive to retain this equipment, rather than to sell it and use the proceeds for newer equipment, even though retaining it requires increasing maintenance costs. This provision would allow the President to remove this disincentive to a country's modernizing its defense inventory when it is in the U.S. national interest to do so. All legal and policy controls applicable to third country transfers would continue to apply to any sales of this equipment.

SECTION 112. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN COUNTRIES

This section amends section 514(b)(2) of the FAA to establish a ceiling of \$248,000,000 on the aggregate value of additions made in fiscal year 1985 to overseas stockpiles of defense articles (other than in NATO countries) which are designated as war reserve stocks for allied or other foreign forces. The United States retains title to any stocks so designated. Transfer of these stocks to a foreign country may take place only under the authority of the FAA or of the AECA, and within the limitations and funds available under those Acts.

SECTION 113. SECURITY ASSISTANCE ORGANIZATIONS

Section 515 provides specific annual authorization to station permanently more than six military personnel in certain

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countries to manage security assistance programs. This section would add for fiscal year 1985 eight new countries to the twelve countries which are currently authorized in the statute to have more than six uniformed personnel assigned to them for managing security assistance programs.

SECTION 114. GRANT TRAINING

Section 542 of the FAA is amended to authorize \$57,010,000 for fiscal year 1985 in appropriations for the International Military Education and Training (IMET) program.

SECTION 115. EXCHANGE TRAINING

This provision would provide for the establishment of a new section 544 in the FAA concerning exchange (barter) training. The President will be authorized to provide to foreign military personnel professional military education training only at U.S. war colleges and U.S. command and staff colleges in the United States. The training of each foreign student under this authority will be conditioned on the requirement that, commencing in the same U.S. fiscal year, a U.S. military student be trained in a foreign college which the U.S. military department involved determines to be comparable to its military colleges. Such exchanges would be negotiated with foreign countries and international organizations after enactment.

SECTION 116. TRAINING IN MARITIME SKILLS

This section would authorize the President to provide assistance under the IMET program for education and training in

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maritime search and rescue, operation and maintenance of aids to navigation, port security, at-sea law enforcement, international maritime law, and general maritime skills. This section would also make conforming changes in section 660 to allow assistance or training in maritime law enforcement.

SECTION 117. PEACEKEEPING OPERATIONS AUTHORIZATION

Section 552(a) of the FAA is amended to authorize \$49,000,000 for fiscal year 1985 in appropriations to carry out peacekeeping operations and other programs. These programs would include the United States budgetary contribution to the Multinational Force and Observers (MFO) for the Sinai.

SECTION 118. PEACEKEEPING OPERATIONS EMERGENCIES

Section 552(c) of the FAA is amended to provide that the President may draw down commodities and services of an aggregate value not to exceed \$25,000,000 for each fiscal year from any United States Government agency for peacekeeping purposes, if he determines that an unforeseen emergency requires immediate assistance under the peacekeeping provisions of the FAA. A new subsection (d) authorizes appropriations to reimburse the applicable account for commodities and services provided pursuant to this section. Section 652 of the FAA is amended to require that the President notify the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing should he intend to exercise this authority, stating the justification for, and the extent of,

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the exercise of such authority.

TITLE II - ECONOMIC SUPPORT FUND

SECTION 201. AUTHORIZATION OF APPROPRIATIONS

Section 531(b) of the FAA is amended to authorize an appropriation for the Economic Support Fund of \$2,797,500,000 for fiscal year 1985. The emergency assistance authority of section 535 is continued for fiscal year 1985.

TITLE III. DEVELOPMENT ASSISTANCE

SECTION 301. DEVELOPMENT ASSISTANCE POLICY

Section 301 amends section 102 of the Act, which sets forth the policy under which bilateral development assistance is to be provided. New paragraphs (13) through (16) describe emphases, consistent with the mandate to address basic human needs, with which A.I.D. is especially concerned.

Paragraph (13) recognizes the importance of policy reforms in developing countries. Long term equitable development depends heavily on the nature of the policies followed by developing countries. A.I.D. is concerned with both the effectiveness and equity of such policies. A.I.D. recognizes that significant policy reforms can be achieved only through a process of dialogue with developing countries.

Paragraph (14) recognizes the need to promote private sector activity in developing countries. Governmental policies which assure businesses open and competitive markets are cost effective ways to maximize production and achieve long term

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economic growth.

Paragraph (15) recognizes the need of developing countries to have access to appropriate technology. Sustained development requires an indigenous capacity to adopt, create and apply a continuing stream of appropriate technologies to the problems of health, population growth, hunger, illiteracy, unemployment and labor productivity.

Paragraph (16) encourages the creation and improvement of the institutional capacities of developing countries. Faulty institutional frameworks can impede development. Therefore, A.I.D. assists in the establishment and upgrading of schools, cooperatives, markets, voluntary organizations, agricultural extension services, agricultural research centers, management training institutes and health care delivery systems. An important component of institution building involves training to help build and expand both physical and social infrastructure.

SECTION 302. AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION

Section 302 amends section 103(a)(2) of the Act, which authorizes funds for agriculture, rural development, and nutrition. Section 103(a)(2) is amended to authorize \$ _____ for these programs for the fiscal year 1985.

SECTION 303. POPULATION AND HEALTH

Section 303 amends section 104(g) of the Act, which authorizes funds for population and health. Section 104(g) is

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amended to authorize \$_____ for the population program for the fiscal year 1985 and to authorize \$_____ for the health program for the fiscal year 1985. .

SECTION 304. EDUCATION AND HUMAN RESOURCES DEVELOPMENT

Section 304 amends section 105(a) of the Act, which authorizes funds for education and human resources development. Section 105(a) is amended to authorize \$_____ for these programs for the fiscal year 1985.

SECTION 305. ENERGY, PRIVATE VOLUNTARY ORGANIZATIONS, AND SELECTED DEVELOPMENT ACTIVITIES

Section 305 amends section 106(e) (1) of the Act, which authorizes funds for energy, private voluntary organizations, and selected development activities. Section 106(e) (1) is amended to authorize \$_____ for these programs for fiscal year 1985.

SECTION 306. PRIVATE SECTOR REVOLVING FUND

Section 306 amends section 108(b) of the Act, which authorizes funds for deposit in the private sector revolving fund. Section 108(b) is amended to authorize \$20,000,000 for deposit in this fund for the fiscal year 1985.

SECTION 307. TRANSFER OF FUNDS

Section 307 amends section 109 of the Act, which permits the transfer of funds to and from the accounts under chapter 1 of part I of the Act and from chapter 1 of part I to the operating expense account. The amendment would add the Trade

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and Development Program authorized under section 661 of the Act to the accounts to which funds made available under chapter 1 of part I of the Act could be transferred. It also would permit the transfer of funds from the section 661 account to the accounts under chapter 1 of part I. This amendment parallels the authority contained in section 610(a) of the Act, which among other things permits the transfer of Economic Support Funds to the section 661 account.

SECTION 308. SAHEL DEVELOPMENT PROGRAM

Section 308 amends section 121(c) of the Act, which authorizes the Sahel Development Program. Section 121(c) is amended to authorize \$_____ for that program for the fiscal year 1985.

SECTION 309. PRIVATE AND VOLUNTARY ORGANIZATIONS AND COOPERATIVES IN OVERSEAS DEVELOPMENT

Section 309 amends section 123(e) of the Act, which exempts from prohibitions on assistance to countries assistance in support of programs of private and voluntary organizations and cooperatives already being supported prior to the date such prohibition becomes applicable. Section 123(e) is amended to more easily determine the date on which a prohibition becomes applicable for purposes of that section. Section 123(e) is further amended by requiring that the report to be prepared by the President and transmitted to the Speaker of the House of Representatives and to the Chairman of the Committee on Foreign

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Relations of the Senate setting forth the reasons for continuation of support shall be submitted within thirty days after the date that a decision has been made for such continuation rather than thirty days after the date the prohibition becomes applicable. This latter change affords the President a more reasonable period of time to take into consideration whether continuation of support for such programs is in the national interest of the United States, as required under section 123(e).

SECTION 310. HOUSING GUARANTY PROGRAM

Section 310(a) amends section 221 of the Act to reflect the fact that housing guaranties are available for urban development activities in addition to the construction of housing in the narrow sense of the term. The amendments are consistent with existing authority reflected in section 222, which authorizes activities such as slum upgrading. For example, under this existing authority, guaranty funds finance urban infrastructure projects, such as water and sanitation systems, designed to improve shelter for target group beneficiaries living in poor slum areas. However, the revised language will bring section 221 into harmony with the authority provided under section 222, which was amended in 1978 to broaden the scope of the housing guaranty program.

Section 310(b) amends section 222(a) of the Act to increase the total amount of housing guaranties authorized to be

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outstanding from \$1,718,000,000 to \$2,018,000,000 and to provide that guarantee commitments are authorized for any fiscal year only to the extent provided in appropriations acts.

Section 310(b) further amends section 222(a) of the Act to extend the authority for the housing guaranty program from September 30, 1984 to September 30, 1986. Because the loans for which guaranties are to be issued sometimes close after the end of the fiscal year, therefore delaying the issuance of the guaranties, the housing guaranty program needs authority that extends beyond the fiscal year in which the guaranty was authorized. This amendment provides the authority to issue guaranties after the close of fiscal year 1985 and conforms with past legislative practice in extending the program.

SECTION 311. AGRICULTURAL AND PRODUCTIVE CREDIT AND SELF-HELP
COMMUNITY DEVELOPMENT PROGRAMS

Section 311(a) amends section 222A(c) of the Act to provide that commitments to guarantee loans under section 222A are authorized only to the extent provided in appropriations acts.

Section 311(b) amends section 222A(h) to extend the authority for the program from September 30, 1983 to September 30, 1985.

SECTION 312. DISADVANTAGED CHILDREN IN ASIA

Section 312 amends section 241(b) of the Act, which authorizes the use of funds to help meet the needs of disadvantaged children in Asian countries where there has been

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or continues to be a heavy presence of United States military and related personnel in recent years. Section 241 is amended to increase the maximum amount of funds available for such purposes to \$3,000,000.

TITLE IV - ECONOMIC POLICY INITIATIVE FOR AFRICA

SEC. 401. ECONOMIC POLICY INITIATIVE FOR AFRICA

Section 401 amends part I of the Foreign Assistance Act of 1961 to add a new chapter 4. This new chapter authorizes an economic policy initiative for Africa which promotes growth oriented policy reforms in sub-Saharan African countries, especially in sectors such as food and agriculture, education, health and family planning. There will also be a focus on strengthening the institutional and skilled manpower capacity of these countries to implement policy reforms.

The new chapter recognizes the fundamental importance of policy reforms in the revitalization of sub-Saharan African economies. As appropriate, such reforms would move these countries from their present policy focus on the public sector and heavy government intervention in the economy towards greater reliance on the private sector and market forces in order to achieve significant economic growth. The economic policy initiative will support sectoral reforms undertaken by sub-Saharan African countries including government divestiture of parastatals and elimination or modification of commodity subsidies.

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In order to carry out the Economic Policy Initiative for Africa, \$500,000,000 is authorized to be appropriated without fiscal year limitations, provided that no more than \$75,000,000 will be available in fiscal year 1985.

TITLE V. MISCELLANEOUS PROVISIONS

SECTION 501. AMERICAN SCHOOLS AND HOSPITALS ABROAD

Section 501 amends section 214(c) of the Act, which authorizes funds for American Schools and Hospitals Abroad. Section 214(c) is amended to authorize \$_____ for the fiscal year 1985.

SECTION 502. INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Section 502 amends section 302(a)(1) of the Act, which authorizes funds for International Organizations and Programs. Section 302(a)(1) is amended to authorize \$_____ for these programs for the fiscal year 1985.

SECTION 503. INTERNATIONAL NARCOTICS CONTROL

Section 503 amends section 482(a) of the Act, which authorizes funds for International Narcotics Control. Section 482(a) is amended to authorize \$_____ for that program for the fiscal year 1985.

SECTION 504. NARCOTICS REPORTING REQUIREMENT

This section amends section 481 of the Act to streamline reporting requirements concerning the international narcotics control program in light of the additional reporting requirements imposed by section 1003 of the Department of State

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Authorization Act, Fiscal Years 1984 and 1985.

SECTION 505. INTERNATIONAL DISASTER ASSISTANCE

Section 505 amends section 492(a) of the Act, which authorizes funds for International Disaster Assistance. Section 492(a) is amended to authorize \$ _____ for that program for the fiscal year 1985.

SECTION 506. ANTI-TERRORISM ASSISTANCE PROGRAM

This section amends section 575 of the Foreign Assistance Act of 1961 to authorize \$5,000,000 for the fiscal year 1985 for the anti-terrorism assistance program.

SECTION 507. COMPLETION OF PLANS AND COST ESTIMATES

Section 507(a) amends section 611(a) of the Act, which requires that adequate plans and cost estimates be completed prior to the obligation of funds in excess of \$100,000. That provision is amended to apply to a minimum amount of \$500,000 rather than \$100,000, to take account of the inflation that has occurred since the provision was enacted in 1958.

Section 507(b) amends section 611(b) of the Act, which requires that cost/benefit analyses be conducted for water projects in accordance with the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973. Section 611(b) is amended by eliminating the reference to the above standards and instead providing that such analyses shall be conducted in accordance with the principles, standards and procedures established pursuant to the Water Resources

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Planning Act. The 1973 Principles and Standards were designed to be applied to water projects constructed in the United States. They were found to be inappropriate for the types of water projects financed by AID.

SECTION 508. PROHIBITIONS AGAINST ASSISTANCE TO THE PEOPLE'S
REPUBLIC OF CHINA

Section 620(f) of the FAA is amended to remove the People's Republic of China and Tibet (which is administered as part of China) from the category of countries to which assistance is prohibited. As a result of this amendment, the People's Republic of China would not be considered a "Communist-bloc" country for the purpose of section 620(h).

SECTION 509. PROHIBITIONS AGAINST FURNISHING ASSISTANCE

Section 509 amends section 620(r) of the Act, which prohibits relieving a loan recipient from its liability for the repayment of any part of the principal of or interest on loans made under the Act. Section 620(r) is amended to authorize debt relief agreements with loan recipients which do not require the payment of such interest if the President determines that inclusion of such requirement would not be in the interest of the United States. This amendment would permit the President to take into account international economic conditions as they might affect a loan recipient and makes more meaningful the compromise authorities contained in section 635(g)(2) of the Act.

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SECTION 510. STREAMLINING OF REPROGRAMMING REQUIREMENTS

This section makes funds appropriated to carry out the provisions of the Arms Export Control Act subject to the reprogramming requirements of section 634A and the reporting requirements of section 653(a) of the FAA. This section also deletes certain reporting requirements for FMS financing which would be redundant in light of this amendment to sections 634A and 653(a). In addition, this section deletes the requirement that a section 653(b) report be filed in certain cases before assistance is provided. These changes streamline and make standard various overlapping report and reprogramming requirements, but do not materially change the type of information provided to the Congress.

Finally, this section eliminates the requirement under section 634A to notify Congress 15 days in advance of obligating development assistance funds in cases where the obligation will exceed the prior amount justified for the year by 10 percent or less. This change will permit needed flexibility to reallocate development assistance funds at the end of the fiscal year while not allowing significant changes without prior congressional notification.

SECTION 511. PROVISIONS ON USES OF FUNDS

Section 511(a) amends section 636(a)(14) of the Act to make a technical change. The "Foreign Service Act of 1980" is substituted for the "Foreign Service Act of 1946", which it

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replaced.

Section 511(b) amends section 636(c) of the Act by eliminating the \$3,000,000 ceiling on the use of funds to construct or acquire essential living quarters, office space, schools, and hospitals for use of U.S.G. personnel posted outside the United States. As a result of greatly increased leasing costs overseas, it is now often more economical over the long run for the government to purchase or construct living quarters than to lease them. Additionally, for security reasons and otherwise, in several countries no suitable quarters are available for leasing. The \$3,000,000 limitation on use of funds for purchase or construction of overseas facilities no longer allows sufficient flexibility to provide these facilities in an economical manner.

Section 511(c) amends section 636(d) of the Act by raising the ceiling on the use of funds for supporting schools for dependents outside the United States from \$2.5 million to \$5.0 million. The \$2.5 million limitation has been in effect since 1969. Inflation has greatly reduced the purchasing power of that amount since that time, while the number of schools being supported has increased from 43 to 57. The funds are no longer sufficient to provide adequate support to overseas schools. As a result, the quality of these schools is deteriorating.

Section 511(d) amends section 636 of the FAA by adding a new subsection (j) to allow statutory earmarks to be converted

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from fixed to proportionate requirements during periods when funds are appropriated by a continuing resolution. During periods when funding is made available by a continuing resolution, foreign assistance programs may operate at funding levels significantly below authorized levels. In these circumstances serious problems may be encountered in assisting countries which do not have funds earmarked for their benefit. This section would allow the Executive Branch to allocate to earmarked countries an amount in the same proportion to available continuing resolution funds as the original earmark was to the total level authorized or appropriated in the Act which established the earmark.

SECTION 512. TRADE AND DEVELOPMENT PROGRAM

Section 512 amends section 661(b) of the Act, which authorizes funds for the Trade and Development Program. Section 661(b) is amended to authorize \$ _____ for this program for the fiscal year 1985.

SECTION 513. OPERATING EXPENSES

Section 513 amends section 667(a) of the Act, which authorizes funds for operating expenses of the Agency for International Development. Section 667(a) of the Act is amended to authorize \$ _____ for operating expenses for the fiscal year 1985.

SECTION 514. ILLEGAL EMIGRATION FROM HAITI

This section would continue in effect the authorization to

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use funds under the FAA for programs to assist Haiti in halting significant illegal emigration from Haiti to the United States.

SECTION 515. REPEAL OF PROVISIONS

Section 515 repeals provisions of the Act which are obsolete. It also repeals section 110(b), which prohibits disbursement of grant assistance for a project over a period exceeding thirty-six months. At the time this prohibition was enacted, it provided a useful control for the Congress over large capital assistance projects. The Agency no longer participates much in that type of project, and the Congress now has a better review mechanism through the congressional notification process. Section 110(b), therefore, is no longer necessary.

TITLE VI. AMENDMENTS TO OTHER ACTS

SECTION 601. PRESERVATION OF STATUS AND BENEFITS

Section 601 amends section 2106(e)(2) of the Foreign Service Act of 1980 to make mandatory retirement based on relative performance applicable to all tenured members of the Foreign Service.

SECTION 602. PARTICIPANT TRAINEE GRANTS

Section 602 amends section 1441(c)(6) of the Internal Revenue Code of 1954 to exempt from withholding amounts received as scholarships or fellowship grants, per diem, travel and other related expenses by non-resident aliens engaged in

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training programs in the United States under the Act. Current provisions of the I.R.C. exclude income to A.I.D. participant trainees from U.S. tax liability up to specified dollar limitations. In the past these exclusions have been high enough to completely exempt the participants from U.S. tax liability, and no taxes have had to be withheld by A.I.D. or contractors and PVOs implementing the participant trainee programs. As a result of inflation, however, income under A.I.D. scholarship programs now exceed the exclusion and the participants incur tax liability. Withholding income taxes for each participant trainee would result in high administrative costs to the implementing contractors and PVOs that would ultimately be passed on to A.I.D.. It would also reduce the amount of funds actually available for the training programs themselves. This provision is intended to correct these problems.

SECTION 603. INCREASING FOOD DONATIONS

Section 603 amends section 416 of the Agricultural Act of 1949 by authorizing the donation overseas of all surplus stocks of agricultural commodities which are held by the Commodity Credit Corporation, rather than merely stocks of dairy products. This amendment would require such surplus agricultural commodities to be distributed through the procedures established to carry out the provisions of Title II of the Agricultural Trade Development and Assistance Act of 1954.

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SECTION 604. EXPRESS AUTHORITY FOR TITLE II DIRECT
DISTRIBUTION, SALE AND BARTER

Section 604 amends section 202(a) of the Agricultural Trade Development and Assistance Act of 1954 to clarify and emphasize that section 202(a) includes direct distribution, sale and barter.

TITLE VII. FISCAL YEAR 1984 SUPPLEMENTAL AUTHORIZATIONS
SECTION 701. INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Section 701 authorizes an increase in appropriations for the fiscal year 1984 of \$_____ to carry out chapter 3 of part I of the Act, for payment to the International Atomic Energy Agency.

SECTION 702. STOCKPILING OF DEFENSE ARTICLES FOR FOREIGN
COUNTRIES

This section in accordance with the requirements of section 514(b)(1) of the FAA establishes a ceiling of \$125,000,000 on the aggregate value of additions made in fiscal year 1984 to overseas stockpiles of defense articles (other than in NATO countries) which are designated as war reserve stocks for allied or other foreign forces. The United States retains title to any stocks so designated. Transfer of these stocks to a foreign country may take place only under the authority of the FAA or of the AECA, and within the limitations and funds available under those Acts.

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SECTION 703. FOREIGN MILITARY SALES FINANCING

This section would amend section 31(b)(5) of the Arms Export Control Act to add Korea to the list of countries which would be authorized for fiscal year 1984 to repay loans guaranteed under section 24(a) of the AECA in not more than twenty years, following a grace period of ten years on repayment of principal.

SECTION 704. HOUSING GUARANTY BORROWING AUTHORITY

Section 704 amends section 223(e) of the Foreign Assistance Act of 1961 to supplement the reserves needed to assure prompt payment of housing guaranty loan claims which are anticipated because of developing country public sector debt reschedulings. The amendment authorizes A.I.D. to borrow funds from the Treasury to satisfy such claims, if necessary, provided that the aggregate amount of such borrowings does not exceed \$40,000,000 at any one time. The existing reserves of the program, prior to 1981, were not credited with the interest earned (in contrast to reserves of most other U.S. guaranty programs) and accordingly these reserves are not as substantial as they would be otherwise. Since the rescheduled debt is primarily foreign government debt, it is expected that the rescheduled payments eventually will be forthcoming and permit repayment of Treasury borrowings and replenishment of reserves. Since the liquidity problem is expected to exist only in the short run, pending payment of rescheduled LDC

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obligations, borrowing authority is being sought at this time rather than a permanent increase in reserves.

The interest rate of borrowings will be established by the Treasury on the basis of current market rates for comparable maturities of U.S. Government obligations. The maturities selected by AID for its borrowings are expected to match, insofar as possible, the terms of rescheduled housing guaranty loans. Treasury public debt borrowings will be available as a source of funds for this authority as provided in Title 31 of the United States Code.

TITLE VIII - AUTHORIZATIONS FOR FISCAL YEAR 1986

AND EFFECTIVE DATE

SECTION 801. AUTHORIZATIONS FOR THE FISCAL YEAR 1986

This section, in accordance with the requirements of section 607 of the Congressional Budget Act of 1974, authorizes appropriations for fiscal year 1986 for all programs and activities for which appropriations for the fiscal year 1985 are authorized by this Act.

SECTION 802. EFFECTIVE DATE

This section provides that sections 102 and 108 would be effective upon the later of enactment or October 1, 1983, to allow adequate time to implement the change in pricing for training and to avoid the possibility that the change in penalties under the AECA would be retroactive. The effective date for title VII shall be upon enactment. All other sections would be effective on October 1, 1984.

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